

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Hanover Township	County Wexford
Audit Date 6/30/05	Opinion Date 1/4/06	Date Accountant Report Submitted to State: 1/19/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, C.P.A.			
Street Address 134 West Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 1/19/06

HANOVER TOWNSHIP, WEXFORD COUNTY

BUCKLEY, MICHIGAN

JUNE 30, 2005

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

JUNE 30, 2005

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 4, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Hanover Township
Wexford County
Buckley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover Township, Wexford County, Buckley, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover Township, Wexford County, Buckley, Michigan, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model, as required by the provisions of (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted*, as of July 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 16 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hanover Township, Wexford County, Buckley, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

HANOVER TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Hanover Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Hanover Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$165,748. Of this amount, \$117,840 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's general fund reported an ending fund balance of \$117,840, an increase of \$21,285 in comparison with the prior year.
- ◆ The Township is not obligated under any long-term debt as of June 30, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Hanover Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

HANOVER TOWNSHIP, WEXFORD COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$165,748 at June 30, 2005, meaning the Township’s assets were greater than its liabilities by this amount.

HANOVER TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Hanover Township
Net Assets as of June 30, 2005

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 117,942
Non Current Assets	
Capital Assets	68,114
Less: Accumulated Depreciation	<u>(20,206)</u>
Total Non Current Assets	<u>47,908</u>
Total Assets	<u><u>\$ 165,850</u></u>
Liabilities	
Current Liabilities	\$ <u>102</u>
Net Assets	
Invested in Capital Assets	47,908
Unrestricted	<u>117,840</u>
Total Net Assets	<u>165,748</u>
Total Liabilities and Net Assets	<u><u>\$ 165,850</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$117,840 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$20,465 or 14% in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

HANOVER TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Hanover Township
Change in Net Assets
for the Fiscal Year Ended June 30, 2005

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 3,803
General Revenues	
Property Taxes	48,834
State Shared Revenue	43,189
Investment Earnings	1,500
Sale of Capital Asset	1,568
Other	883
Total Revenues	\$ <u><u>99,777</u></u>
<u>Expenses</u>	
Legislative	\$ 4,040
General Government	50,859
Public Safety	15,733
Public Works	2,829
Community and Economic Development	1,200
Recreational and Cultural	100
Other Functions	4,551
Total Expenses	\$ <u><u>79,312</u></u>
Changes in Net Assets	20,465
<u>NET ASSETS</u> – Beginning of Year	<u>145,283</u>
<u>NET ASSETS</u> – End of Year	\$ <u><u>165,748</u></u>

Governmental Activities

During the fiscal year ended June 30, 2005, the Township's net assts increased by \$20,465 or 14% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

HANOVER TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

The most significant part of the revenue for all governmental activities of Hanover Township comes from property taxes. The Township levied .8305 mills for operating purposes.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation. In 2005, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 64% of total expenses. The Township spent \$50,859 in fiscal year 2005 on general governmental expenses. Public Safety represented the next largest expense at \$15,733, or 20% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$39,766. Depreciation expense added another \$1,468.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Hanover Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund – The General Fund increased its fund balance by \$21,285 which brings the fund balance to \$117,840. The General Fund's fund balance is unreserved. Property tax revenues were \$48,834. State shared revenues were \$43,189.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of June 30, 2005 amounted to \$47,908 net of accumulated depreciation. The total net decrease in the Township's investment in capital assets for the current fiscal year was 2% or \$820.

Capital assets summarized below include any items purchased with a cost greater than \$300 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

HANOVER TOWNSHIP, WEXFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005

Hanover Township
Capital Assets as of June 30, 2005

		Governmental Activities
Land	\$	<u>11,747</u>
Buildings and Improvements		54,172
Machinery and Equipment		<u>2,195</u>
		68,114
Less Accumulated Depreciation		<u>20,206</u>
Net Capital Assets	\$	<u><u>47,908</u></u>

Major capital asset events during the current fiscal year included the following:

- ◆ New printer/copier cost \$648.

Long-Term Debt At June 30, 2005 the Township was not obligated for any long-term debt.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Hanover Township at 4910 Squaw Trail, Buckley, MI 49620.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 110,977
Receivables	
External Parties (Fiduciary Funds)	366
Accounts	<u>6,599</u>
 Total Current Assets	 <u>\$ 117,942</u>
 <u>CAPITAL ASSETS</u>	
Land	\$ 11,747
Building and Improvements	54,172
Machinery and Equipment	<u>2,195</u>
	\$ 68,114
Less Accumulated Depreciation	<u>20,206</u>
Net Capital Assets	<u>\$ 47,908</u>
 TOTAL ASSETS	 <u><u>\$ 165,850</u></u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Payroll Withholdings Payable	<u>\$ 102</u>
 <u>EQUITY</u>	
Net Assets:	
Invested in Capital Assets	\$ 47,908
Unrestricted	<u>117,840</u>
 TOTAL NET ASSETS	 <u><u>\$ 165,748</u></u>

The accompanying notes are an integral part of the financial statements.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

					<u>NET (EXPENSE)</u> <u>REVENUE</u> AND CHANGES IN NET ASSETS	
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTAL GOVERNMENTAL ACTIVITIES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>						
Legislative	\$ 4,040	\$ 0	\$ 0	\$ 0	\$ (4,040)	
General Government	50,859	3,803	0	0	(47,056)	
Public Safety	15,733	0	0	0	(15,733)	
Public Works	2,829	0	0	0	(2,829)	
Community and Economic Development	1,200	0	0	0	(1,200)	
Recreation and Culture	100	0	0	0	(100)	
Other Functions	4,551	0	0	0	(4,551)	
Total	\$ 79,312	\$ 3,803	\$ 0	\$ 0	\$ (75,509)	
<u>GENERAL REVENUES</u>						
Property Tax					\$ 48,834	
State Shared Revenue					43,189	
Investment Earnings					1,568	
Sale of Capital Asset					1,500	
Other					883	
Total General Revenues					\$ 95,974	
Change in Net Assets					\$ 20,465	
<u>NET ASSETS</u> - Beginning of Year					145,283	
<u>NET ASSETS</u> - End of Year					\$ 165,748	

The accompanying notes are an integral part of the financial statements.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2005

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 110,977
Accounts Receivable	6,599
Due From Other Funds	<u>366</u>
TOTAL ASSETS	<u><u>\$ 117,942</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Payroll Withholdings Payable	\$ 102
 <u>FUND BALANCE</u>	
Unreserved	
Undesignated	<u>117,840</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 117,942</u></u>

The accompanying notes are an integral part of the financial statements.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balance for Governmental Funds	\$ 117,840
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	11,747	
Buildings and Improvements		54,172	
Machinery and Equipment		2,195	
Accumulated Depreciation		<u>(20,206)</u>	<u>47,908</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>165,748</u>
---------------------------------------	-------------------

The accompanying notes are an integral part of the financial statements.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2005

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Taxes	\$ 48,834
State Grants	43,189
Charges for Services	3,403
Interest and Rents	1,968
Other Revenues	<u>2,383</u>
Total Revenues	<u>\$ 99,777</u>
<u>EXPENDITURES</u>	
Legislative	\$ 4,040
General Government	50,039
Public Safety	15,733
Public Works	2,829
Community and Economic Development	1,200
Recreational and Culture	100
Other Functions	<u>4,551</u>
Total Expenditures	<u>\$ 78,492</u>
Net Change in Fund Balance	\$ 21,285
<u>FUND BALANCE</u> - Beginning of Year	<u>96,555</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 117,840</u></u>

The accompanying notes are an integral part of the financial statements.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 21,285
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(1,468)
Capital Outlay	<u>648</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 20,465</u></u>

The accompanying notes are an integral part of the financial statements.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	<u>\$ 1,770</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Governments	1,404
Due to Other Funds	<u>366</u>
TOTAL LIABILITIES	<u>1,770</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Hanover Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Hanover Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, Hanover Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Investment Policy adopted by the Township delegates authority for investments to the Township Treasurer. The policy states that the Township Treasurer is limited to investments authorized by PA 20 of 1943, as amended, and may invest in the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Hanover Township Board at the Board's organizational meeting after each regular election of board members.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in (a).
- e. Bankers' acceptances of United States banks.
- f. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- g. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. Property Taxes

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes are remittances of them are accounted for in the Current Tax Collection Fund. Township property tax

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Hanover Township totaled \$29,665,850, on which ad valorem taxes levied consisted of .8305 mills for Hanover Township operating purposes. This levy raised approximately \$24,663 for operating purposes.

4. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as required.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$300 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government, are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and Improvements	20 - 50
Machinery and Equipment	5-10

Hanover Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

6. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on June 14, 2004.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. *Deposits and Investments*

The Township's deposits are on deposit with Hanover State Bank in Buckley, Michigan.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 5 of the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$13,077 of the government's bank balance of \$113,077 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 11,747	\$ 0	\$ 0	\$ 11,747
Capital assets, being depreciated				
Buildings and Improvements	\$ 54,172	\$ 0	\$ 0	\$ 54,172
Machinery and Equipment	1,547	648	0	2,195
Total capital assets, being depreciated	\$ 55,719	\$ 648	\$ 0	\$ 56,367
Less accumulated depreciation for:				
Buildings and Improvements	\$ 17,878	\$ 1,194	\$ 0	\$ 19,072
Machinery and Equipment	860	274	0	1,134
Total accumulated depreciation	\$ 18,738	\$ 1,468	\$ 0	\$ 20,206
Total capital assets, being depreciated, net	\$ 36,981	\$ (820)	\$ 0	\$ 36,161
Governmental activities capital assets, net	\$ 48,728	\$ (820)	\$ 0	\$ 47,908

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

 General Government \$ 1,468

Construction Commitments:

 The government has no outstanding construction commitments as of June 30, 2005.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2005, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 366	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	366
	\$ 366	\$ 366

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

E. Long-Term Debt

At June 30, 2005, the Township was not obligated for any long-term debt.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees other than appointed boards, commissions, part-time and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date after which the employee reaches age 18. All participants are 100% vested upon entering the plan. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township has elected to contribute 10% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2004-05 amounted to \$2,015. In addition, the Township paid a \$175 administration fee to Municipal Retirement Systems, Inc. For 2004-05, wages for those covered by the Pension Plan amounted to \$20,150 and total wages for all employees were \$26,881.

C. Fire Protection Contracts

An agreement was entered into between the Village of Buckley and the Township for fire protection. The Township paid \$12,660 to the Village for fire protection from January 1, 2005 to December 31, 2005. Also, a fire protection contract is in effect between the Township and Springville Township, and \$3,073 was paid on this contract for the period July 1, 2004 to June 30, 2005.

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2005

	GENERAL FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<u>REVENUES</u>				
Taxes	\$ 26,000	\$ 26,000	\$ 48,834	\$ 22,834
State Grants	45,000	45,000	43,189	(1,811)
Charges for Services	7,000	7,000	3,403	(3,597)
Interest and Rents	1,500	1,500	1,968	468
Other Revenues	0	0	2,383	2,383
Total Revenues	\$ 79,500	\$ 79,500	\$ 99,777	\$ 20,277
<u>EXPENDITURES</u>				
Legislative	\$ 5,500	\$ 5,500	\$ 4,040	\$ 1,460
General Government	65,500	65,500	50,039	15,461
Public Safety	20,000	20,000	15,733	4,267
Public Works	23,800	23,800	2,829	20,971
Community and Economic Development	2,000	2,000	1,200	800
Recreation and Culture	1,000	1,000	100	900
Other Functions	10,000	10,000	4,551	5,449
Contingency	2,000	2,000	0	2,000
Total Expenditures	\$ 129,800	\$ 129,800	\$ 78,492	\$ 51,308
Net Change in Fund Balance	\$ (50,300)	\$ (50,300)	\$ 21,285	\$ 71,585
<u>FUND BALANCE</u> - Beginning of Year	88,837	88,837	96,555	7,718
<u>FUND BALANCE</u> - End of Year	\$ 38,537	\$ 38,537	\$ 117,840	\$ 79,303

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GENERAL FUND

BALANCE SHEET

JUNE 30, 2005

ASSETS

Cash	
Commercial Account	\$ 60,950
Certificates of Deposit	50,027
Accounts Receivable	6,599
Due from Other Funds	366
	<hr/>
TOTAL ASSETS	<u>\$ 117,942</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Payroll Withholdings Payable	\$ 102
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FUND BALANCE

Unreserved	<hr/> 117,840
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 117,942</u></u>
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HANOVER TOWNSHIP, WEXFORD COUNTY

BUCKLEY, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Taxes	\$ 26,000	\$ 48,834	\$ 22,834
State Grants	45,000	43,189	(1,811)
Charges for Services	7,000	3,403	(3,597)
Interest and Rents	1,500	1,968	468
Other Revenues	0	2,383	2,383
Total Revenues	<u>\$ 79,500</u>	<u>\$ 99,777</u>	<u>\$ 20,277</u>
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 5,500	\$ 4,040	\$ 1,460
General Government			
Supervisor	7,500	5,363	2,137
Election	3,000	2,073	927
Assessor	16,000	14,145	1,855
Clerk	8,500	8,277	223
Board of Review	2,000	1,220	780
Treasurer	22,000	14,290	7,710
Building and Grounds	5,000	3,488	1,512
Cemetery	1,500	1,183	317
Public Safety	20,000	15,733	4,267
Public Works	23,800	2,829	20,971
Community and Economic Development	2,000	1,200	800
Recreation and Cultural	1,000	100	900
Other Functions	10,000	4,551	5,449
Other Functions	2,000	0	2,000
Total Expenditures	<u>\$ 129,800</u>	<u>\$ 78,492</u>	<u>\$ 51,308</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,300)	\$ 21,285	\$ 71,585
<u>FUND BALANCE</u> - Beginning of Year	<u>88,837</u>	<u>96,555</u>	<u>7,718</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 38,537</u>	<u>\$ 117,840</u>	<u>\$ 79,303</u>

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
YEAR ENDED JUNE 30, 2005

TAXES

Property Taxes	\$ 24,663	
Swamp Tax	10,135	
Property Tax Administration Fees	<u>14,036</u>	
Total Taxes		\$ 48,834

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax		43,189

CHARGES FOR SERVICES

Summer Tax Collection Fee		3,403
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INTEREST AND RENTS

Interest Earnings	\$ 1,568	
Rents	<u>400</u>	
Total Interest and Rents		1,968

OTHER REVENUES

Refunds	\$ 177	
Sale of Capital Asset	1,500	
Miscellaneous	<u>706</u>	
Total Other Revenues		<u>2,383</u>
TOTAL REVENUES		<u><u>\$ 99,777</u></u>

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 1,260

Supplies

Office Supplies 1,559

Other Services and Charges

Printing and Publishing 128

Dues and Fees 579

Miscellaneous 514

Total Legislative

\$ 4,040

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 5,250

Supplies

Office Supplies 104

Other Services and Charges

Miscellaneous 9 \$ 5,363

Elections

Personal Services

Salaries and Wages \$ 1,438

Supplies

Office Supplies 283

Other Services and Charges

Transportation 170

Printing and Publishing 182 2,073

Assessor

Other Services and Charges

Contracted Services 14,145

Clerk

Personal Services

Salaries and Wages \$ 6,500

Salaries and Wages - Deputy 420

Supplies

Office Supplies 341

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30, 2005

Other Services and Charges		
Miscellaneous	368	
Capital Outlay		
Equipment	648	8,277
Board of Review		
Personal Services		
Salaries and Wages		1,220
Treasurer		
Personal Services		
Salaries and Wages	\$ 10,583	
Salaries and Wages - Deputy	210	
Supplies		
Office Supplies	737	
Other Services and Charges		
Transportation	74	
Miscellaneous	2,686	14,290
Building and Grounds		
Other Services and Charges		
Communication	\$ 382	
Repair and Maintenance	611	
Janitorial	102	
Snowplowing	950	
Utilities	1,443	3,488
Cemetery		
Other Services and Charges		
Repair and Maintenance		1,183
Total General Government		50,039
<u>PUBLIC SAFETY</u>		
Fire Protection		
Other Services and Charges		
Aid to Other Government		
Fire Protection Contracts		15,733
<u>PUBLIC WORKS</u>		
Sanitation		
Other Services and Charges		

HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30, 2005

Contracted Services	2,829
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COMMUNITY AND ECONOMIC DEVELOPMENT

Zoning

Personal Services

Salaries and Wages	1,200
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PARKS AND RECREATION

Soil Conservation

Other Services and Charges

Donation	100
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OTHER FUNCTIONS

Personal Services

Pension Expense	\$ 2,190
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Workers' Compensation	571
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Medicare Contribution	198
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Other Services and Charges

Insurance and Bonds	1,592
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Total Other Functions	4,551
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TOTAL EXPENDITURES	<u>\$ 78,492</u>
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HANOVER TOWNSHIP, WEXFORD COUNTY
BUCKLEY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2005

	BALANCE 7/1/2004	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2005
<hr/>				
<u>ASSETS</u>				
Cash	\$ 3,297	\$ 858,857	\$ 860,384	\$ 1,770
<hr/>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 2,247	\$ 2,247	\$ 0
Due to Other Governments	0	823,966	822,562	1,404
Due to Other Funds	3,297	32,644	35,575	366
<hr/>				
	\$ 3,297	\$ 858,857	\$ 860,384	\$ 1,770
<hr/>				

BUCKLEY, MICHIGAN

STATEMENT OF 2004 WINTER TAX ROLL

JUNE 30, 2005

TAXES ASSESSED

County	\$	301,836	
Township			
Operating		24,663	
Schools			
Buckley Community Schools		363,335	
Mesick Consolidated Schools		55,022	
Intermediate Schools			
Traverse Bay Area		72,614	
Wexford-Missaukee		<u>31,603</u>	\$ 849,073

TAXES COLLECTED

County	\$	247,559	
Township			
Operating		20,228	
Schools			
Buckley Community Schools		289,358	
Mesick Consolidated Schools		43,769	
Intermediate Schools			
Traverse Bay Area		60,309	
Wexford-Missaukee		<u>24,406</u>	<u>685,629</u>

TAXES RETURNED DELINQUENT

County	\$	54,277	
Township			
Operating		4,435	
Schools			
Buckley Community Schools		73,977	
Mesick Consolidated Schools		11,253	
Intermediate Schools			
Traverse Bay Area		12,305	
Wexford-Missaukee		<u>7,197</u>	<u>\$ 163,444</u>

BUCKLEY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF 2004 SUMMER TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

County

State Education Tax

\$ 178,225

TAXES COLLECTED

County

State Education Tax

158,067

TAXES RETURNED DELINQUENT

County

State Education Tax

\$ 20,158

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 4, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Hanover Township
Wexford County
Buckley, Michigan

During the course of our audit of the basic financial statements of Hanover Township for the year ended June 30, 2005, we noted the following:

Reportable Condition in Internal Controls

As part of our audit of the Township, we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

Tax Collection Underpayment

In reconciling the 2004 Winter Tax Roll, we noted a clerical error had been made. The error resulted in the Buckley Community Schools being underpaid by \$1,404. We have explained this error to the Township Treasurer and payment will be sent to correct the underpayment.

Government Accounting Standards Board (GASB) Statement 34

These financial statements are reported under the new GASB 34 accounting standard and are much different than in the past. We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

Property Tax Administration Fee

We encourage the Township to continue to keep track of Administration Fee income and expenses and annually write off the Property Tax Administration Fee loss.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 4, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Hanover Township
Wexford County
Buckley, Michigan

In planning and performing our audit of the basic financial statements of Hanover Township, Wexford County, Buckley, Michigan for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.